

**MINUTES OF THE
REVENUE AND TAXATION INTERIM COMMITTEE**
Wednesday, May 16, 2007 – 2:00 p.m. – Room W135 House Building

Members Present:

Sen. Wayne L. Niederhauser, Senate Chair
Rep. John Dougall, House Chair
Sen. Mike Dmitrich
Sen. Brent H. Goodfellow
Rep. Ralph Becker
Rep. Tim M. Cosgrove
Rep. Craig A. Frank
Rep. Gage Froerer
Rep. Wayne A. Harper
Rep. Bradley G. Last
Rep. Rosalind J. McGee
Rep. Carol Spackman Moss
Rep. Merlynn T. Newbold
Rep. Gordon E. Snow
Rep. Aaron Tilton

Members Absent:

Sen. Curtis S. Bramble
Sen. Howard A. Stephenson
Pres. John L. Valentine
Rep. Gregory H. Hughes
Rep. Stephen H. Urquhart

Staff Present:

Mr. Phillip V. Dean, Policy Analyst
Mr. Leif G. Elder, Research Analyst
Mr. Bryant R. Howe, Assistant Director
Ms. Angela D. Oakes, Associate General Counsel
Ms. Rebecca L. Rockwell, Associate General Counsel
Ms. Phalin L. Flowers, Legislative Secretary

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Committee Business

Chair Dougall called the meeting to order at 2:16 p.m.

MOTION: Rep. Becker moved to approve the minutes of the April 18, 2007 meeting. The motion passed unanimously with Sen. Dmitrich, Rep. Harper, Rep. Newbold, Rep. Snow, and Rep. Tilton absent for the vote.

Mr. Dean distributed and discussed "TC-23 Monthly Revenue Summary - Ten Months." He also distributed "Revenue Report," which is a report given by the Office of the Legislative Fiscal Analyst at the May 15, 2007 Executive Appropriations Committee meeting.

2. Legislation to Implement 2007 General Session S.B. 223 "Tax Amendments"

Ms. Rockwell updated the Committee on implementation of 2007 General Session S.B. 223 "Tax Amendments." She explained that the chairs of the Committee are now members of the TRC (Utah Tax Review Commission) and that the Trust and Estate Working Group of the TRC will reconvene on May 22, 2007 to address reconciling the income taxation of trusts and estates with the single rate individual income tax.

3. Sales and Use Tax Issues

Mr. Howe distributed and discussed "Overview of the State and Local Sales and Use Tax and Broadening the Base." He explained the growth of the sales and use tax rate since 1961, changes in the sales and use tax base, and why the sales and use tax base is declining relative to the rest of the economy. He also discussed trends in the level of the state sales and use tax rate and local option sales and use tax rates.

4. Property Tax Issues

Mr. Howe distributed and discussed "Overview of the Property Tax and Municipal and County Revenue and Expenditures." He reviewed components of the property tax base, sources of property tax revenue, and how property tax revenue is distributed.

Mr. Elder continued the discussion of "Overview of the Property Tax and Municipal and County Revenue and Expenditures." He discussed municipal revenue and expenditure trends in 2005. Rep. Newbold asked for additional information regarding property tax rates for each municipality.

Mr. Neil Abercrombie and Mr. Roger Tew, ULCT (Utah League of Cities and Towns), explained that ULCT recently categorized each municipality into one of several "clusters." This type of categorization is a logical way to group municipalities with similar characteristics. They said that clusters are determined by population, household income, land values, property taxes, and sales and use taxes.

Mr. Dean distributed and discussed "School District Tax Levies Description," "2005 School District Property Tax Levy Rates and Revenues," and "Net Taxable Value per Enrolled Student & 3 Year Enrollment Change by School District." He explained that the taxable value per enrolled student of many school districts is well below the increase in student enrollment in those districts.

5. Statewide Uniform Sales and Use Tax Rate

Rep. Harper distributed and discussed "Progress Towards a Uniform Statewide Sales and Use Tax Rate." He discussed changes that would have to be made to state and local sales and use taxes to achieve a uniform statewide sales and use tax rate. He said that the purpose of a uniform statewide rate is to reduce the compliance burden on vendors. He said that he is continuing to work with interested parties and hopes to present draft legislation to the committee later this year.

6. Apportionment of Business Income to Utah -- Single Weighting of the Sales Factor

Mr. Dean distributed and discussed "Apportionment of Corporate Income." He explained that more states are moving toward a single sales factor for apportioning corporate income.

7. Sales and Use Tax Issues

Rep. McGee suggested that the Committee study this topic in more depth. She explained that the TRC is entering into a study of guiding principles for sales and use taxes. She said a working group had been formed to discuss principles of sales and use tax policy and spoke in support of broadening the sales and use tax base.

8. Other Items / Adjourn

MOTION: Rep. Snow moved to adjourn the meeting. The motion passed unanimously with Rep. Becker, Rep. Harper, Rep. Last, and Rep. Moss absent for the vote.

Chair Dougall adjourned the meeting at 3:34 p.m.